

1 _____ BILL NO. _____

2 INTRODUCED BY _____
3 (Primary Sponsor)

4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING THAT STUDENT LOANS FORGIVEN BY THE
5 FEDERAL GOVERNMENT ARE NOT TAXABLE INCOME; AMENDING SECTIONS 15-30-2110 AND 15-30-
6 2120, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY
7 DATE."

8
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

10
11 **Section 1.** Section 15-30-2110, MCA, is amended to read:

12 **"15-30-2110. (Temporary) Adjusted gross income.** (1) Subject to subsection (15), adjusted gross
13 income is the taxpayer's federal adjusted gross income as defined in section 62 of the Internal Revenue Code,
14 26 U.S.C. 62, and in addition includes the following:

15 (a) (i) interest received on obligations of another state or territory or county, municipality, district, or
16 other political subdivision of another state, except to the extent that the interest is exempt from taxation by
17 Montana under federal law;

18 (ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, 26
19 U.S.C. 852(b)(5), that are attributable to the interest referred to in subsection (1)(a)(i);

20 (b) refunds received of federal income tax, to the extent that the deduction of the tax resulted in a
21 reduction of Montana income tax liability as determined under subsection (16);

22 (c) that portion of a shareholder's income under subchapter S. of Chapter 1 of the Internal
23 Revenue Code that has been reduced by any federal taxes paid by the subchapter S. corporation on the
24 income;

25 (d) depreciation or amortization taken on a title plant as defined in 33-25-105;

26 (e) the recovery during the tax year of an amount deducted in any prior tax year to the extent that
27 the amount recovered reduced the taxpayer's Montana income tax in the year deducted;

28 (f) if the state taxable distribution of an estate or trust is greater than the federal taxable

1 distribution of the same estate or trust, the difference between the state taxable distribution and the federal
2 taxable distribution of the same estate or trust for the same tax period; and

3 (g) except for exempt-interest dividends described in subsection (2)(a)(ii), the amount of any
4 dividend to the extent that the dividend is not included in federal adjusted gross income.

5 (2) Notwithstanding the provisions of the Internal Revenue Code, adjusted gross income does not
6 include the following, which are exempt from taxation under this chapter:

7 (a) (i) all interest income from obligations of the United States government, the state of Montana,
8 or a county, municipality, district, or other political subdivision of the state and any other interest income that is
9 exempt from taxation by Montana under federal law;

10 (ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, 26
11 U.S.C. 852(b)(5), that are attributable to the interest referred to in subsection (2)(a)(i);

12 (b) interest income earned by a taxpayer who is 65 years of age or older in a tax year up to and
13 including \$800 for a taxpayer filing a separate return and \$1,600 for each joint return;

14 (c) (i) except as provided in subsection (2)(c)(ii) and subject to subsection (17), the first \$4,070 of
15 all pension and annuity income received as defined in 15-30-2101;

16 (ii) subject to subsection (17), for pension and annuity income described under subsection (2)(c)(i),
17 as follows:

18 (A) each taxpayer filing singly, head of household, or married filing separately shall reduce the total
19 amount of the exclusion provided in subsection (2)(c)(i) by \$2 for every \$1 of federal adjusted gross income in
20 excess of \$33,910 as shown on the taxpayer's return;

21 (B) in the case of married taxpayers filing jointly, if both taxpayers are receiving pension or annuity
22 income or if only one taxpayer is receiving pension or annuity income, the exclusion claimed as provided in
23 subsection (2)(c)(i) must be reduced by \$2 for every \$1 of federal adjusted gross income in excess of \$33,910
24 as shown on their joint return;

25 (d) all Montana income tax refunds or tax refund credits;

26 (e) gain required to be recognized by a liquidating corporation under 15-31-113(1)(a)(ii);

27 (f) all tips or gratuities that are covered by section 3402(k) or service charges that are covered by
28 section 3401 of the Internal Revenue Code of 1954, 26 U.S.C. 3402(k) or 3401, as amended and applicable on

- 1 January 1, 1983, received by a person for services rendered to patrons of premises licensed to provide food,
2 beverage, or lodging;
- 3 (g) all benefits received under the workers' compensation laws;
- 4 (h) all health insurance premiums paid by an employer for an employee if attributed as income to
5 the employee under federal law;
- 6 (i) all money received because of a settlement agreement or judgment in a lawsuit brought
7 against a manufacturer or distributor of "agent orange" for damages resulting from exposure to "agent orange";
- 8 (j) principal and income in a medical care savings account established in accordance with 15-61-
9 201 or withdrawn from an account for eligible medical expenses, as defined in 15-61-102, including a medical
10 care savings account inherited by an immediate family member as provided in 15-61-202(6);
- 11 (k) principal and income in a first-time home buyer savings account established in accordance with
12 15-63-201 or withdrawn from an account for eligible costs, as provided in 15-63-202(7), for the first-time
13 purchase of a single-family residence;
- 14 (l) contributions or earnings withdrawn from an account established under the Montana family
15 education savings program, Title 15, chapter 62, or from a qualified tuition program established and maintained
16 by another state as provided by section 529(b)(1)(A)(ii) of the Internal Revenue Code, 26 U.S.C.
17 529(b)(1)(A)(ii), for qualified education expenses, as defined in 15-62-103, of a designated beneficiary;
- 18 (m) the recovery during the tax year of any amount deducted in any prior tax year to the extent that
19 the recovered amount did not reduce the taxpayer's Montana income tax in the year deducted;
- 20 (n) if the federal taxable distribution of an estate or trust is greater than the state taxable
21 distribution of the same estate or trust, the difference between the federal taxable distribution and the state
22 taxable distribution of the same estate or trust for the same tax period;
- 23 (o) deposits, not exceeding the amount set forth in 15-30-3003, deposited in a Montana farm and
24 ranch risk management account, as provided in 15-30-3001 through 15-30-3005, in any tax year for which a
25 deduction is not provided for federal income tax purposes;
- 26 (p) income of a dependent child that is included in the taxpayer's federal adjusted gross income
27 pursuant to the Internal Revenue Code. The child is required to file a Montana personal income tax return if the
28 child and taxpayer meet the filing requirements in 15-30-2602.

1 (q) principal and income deposited in a health care expense trust account, as defined in 2-18-
2 1303, or withdrawn from the account for payment of qualified health care expenses as defined in 2-18-1303;

3 (r) the amount of the gain recognized from the sale or exchange of a mobile home park as
4 provided in 15-31-163;

5 (s) the amount of a scholarship to an eligible student by a student scholarship organization
6 pursuant to 15-30-3104; ~~and~~

7 (t) a payment received by a private landowner for providing public access to public land pursuant
8 to Title 76, chapter 17, part 1; and

9 (u) student loan debt cancellation provided by the U.S. department of education.

10 (3) A shareholder of a DISC that is exempt from the corporate income tax under 15-31-102(1)(l)
11 shall include in the shareholder's adjusted gross income the earnings and profits of the DISC in the same
12 manner as provided by section 995 of the Internal Revenue Code, 26 U.S.C. 995, for all periods for which the
13 DISC election is effective.

14 (4) (a) A taxpayer who, in determining federal adjusted gross income, has reduced the taxpayer's
15 business deductions:

16 (i) by an amount for wages and salaries for which a federal tax credit was elected under sections
17 38 and 51(a) of the Internal Revenue Code, 26 U.S.C. 38 and 51(a), is allowed to deduct the amount of the
18 wages and salaries paid regardless of the credit taken; or

19 (ii) for which a federal tax credit was elected under the Internal Revenue Code is allowed to
20 deduct the amount of the business expense paid when there is no corresponding state income tax credit or
21 deduction, regardless of the credit taken.

22 (b) The deductions in subsection (4)(a) must be made in the year that the wages, salaries, or
23 business expenses were used to compute the credit. In the case of a partnership or small business corporation,
24 the deductions in subsection (4)(a) must be made to determine the amount of income or loss of the partnership
25 or small business corporation.

26 (5) Married taxpayers filing a joint federal return who are required to include part of their social
27 security benefits or part of their tier 1 railroad retirement benefits in federal adjusted gross income may split the
28 federal base used in calculation of federal taxable social security benefits or federal taxable tier 1 railroad

1 retirement benefits when they file separate Montana income tax returns. The federal base must be split equally
2 on the Montana return.

3 (6) Married taxpayers filing a joint federal return who are allowed a capital loss deduction under
4 section 1211 of the Internal Revenue Code, 26 U.S.C. 1211, and who file separate Montana income tax returns
5 may claim the same amount of the capital loss deduction that is allowed on the federal return. If the allowable
6 capital loss is clearly attributable to one spouse, the loss must be shown on that spouse's return; otherwise, the
7 loss must be split equally on each return.

8 (7) In the case of passive and rental income losses, married taxpayers filing a joint federal return
9 and who file separate Montana income tax returns are not required to recompute allowable passive losses
10 according to the federal passive activity rules for married taxpayers filing separately under section 469 of the
11 Internal Revenue Code, 26 U.S.C. 469. If the allowable passive loss is clearly attributable to one spouse, the
12 loss must be shown on that spouse's return; otherwise, the loss must be split equally on each return.

13 (8) Married taxpayers filing a joint federal return in which one or both of the taxpayers are allowed
14 a deduction for an individual retirement contribution under section 219 of the Internal Revenue Code, 26 U.S.C.
15 219, and who file separate Montana income tax returns may claim the same amount of the deduction that is
16 allowed on the federal return. The deduction must be attributed to the spouse who made the contribution.

17 (9) (a) Married taxpayers filing a joint federal return who are allowed a deduction for interest paid
18 for a qualified education loan under section 221 of the Internal Revenue Code, 26 U.S.C. 221, and who file
19 separate Montana income tax returns may claim the same amount of the deduction that is allowed on the
20 federal return. The deduction may be split equally on each return or in proportion to each taxpayer's share of
21 federal adjusted gross income.

22 (b) Married taxpayers filing a joint federal return who are allowed a deduction for qualified tuition
23 and related expenses under section 222 of the Internal Revenue Code, 26 U.S.C. 222, and who file separate
24 Montana income tax returns may claim the same amount of the deduction that is allowed on the federal return.
25 The deduction may be split equally on each return or in proportion to each taxpayer's share of federal adjusted
26 gross income.

27 (10) A taxpayer receiving retirement disability benefits who has not attained 65 years of age by the
28 end of the tax year and who has retired as permanently and totally disabled may exclude from adjusted gross

1 income up to \$100 a week received as wages or payments in lieu of wages for a period during which the
2 employee is absent from work due to the disability. If the adjusted gross income before this exclusion exceeds
3 \$15,000, the excess reduces the exclusion by an equal amount. This limitation affects the amount of exclusion,
4 but not the taxpayer's eligibility for the exclusion. If eligible, married individuals shall apply the exclusion
5 separately, but the limitation for income exceeding \$15,000 is determined with respect to the spouses on their
6 combined adjusted gross income. For the purpose of this subsection, "permanently and totally disabled" means
7 unable to engage in any substantial gainful activity by reason of any medically determined physical or mental
8 impairment lasting or expected to last at least 12 months.

9 (11) (a) An individual who contributes to one or more accounts established under the Montana
10 family education savings program or to a qualified tuition program established and maintained by another state
11 as provided by section 529(b)(1)(A)(ii) of the Internal Revenue Code, 26 U.S.C. 529(b)(1)(A)(ii), may reduce
12 adjusted gross income by the lesser of \$3,000 or the amount of the contribution. In the case of married
13 taxpayers, each spouse is entitled to a reduction, not in excess of \$3,000, for the spouses' contributions to the
14 accounts. Spouses may jointly elect to treat half of the total contributions made by the spouses as being made
15 by each spouse. The reduction in adjusted gross income under this subsection applies only with respect to
16 contributions to an account of which the account owner is the taxpayer, the taxpayer's spouse, or the taxpayer's
17 child or stepchild if the taxpayer's child or stepchild is a Montana resident. The provisions of subsection (1)(e)
18 do not apply with respect to withdrawals of contributions that reduced adjusted gross income.

19 (b) Contributions made pursuant to this subsection (11) are subject to the recapture tax provided in
20 15-62-208.

21 (12) (a) An individual who contributes to one or more accounts established under the Montana
22 achieving a better life experience program or to a qualified program established and maintained by another
23 state may reduce adjusted gross income by the lesser of \$3,000 or the amount of the contribution. In the case
24 of married taxpayers, each spouse is entitled to a reduction, not to exceed \$3,000, for the spouses'
25 contributions to the accounts. Spouses may jointly elect to treat one-half of the total contributions made by the
26 spouses as being made by each spouse. The reduction in adjusted gross income under this subsection (12)(a)
27 applies only with respect to contributions to an account for which the account owner is the taxpayer, the
28 taxpayer's spouse, or the taxpayer's child or stepchild if the taxpayer's child or stepchild is a Montana resident.

1 The provisions of subsection (1)(e) do not apply with respect to withdrawals of contributions that reduced
2 adjusted gross income.

3 (b) Contributions made pursuant to this subsection (12) are subject to the recapture tax provided in
4 53-25-118.

5 (13) (a) A taxpayer may exclude the amount of the loan payment received pursuant to subsection
6 (13)(a)(iv), not to exceed \$5,000, from the taxpayer's adjusted gross income if the taxpayer:

7 (i) is a health care professional licensed in Montana as provided in Title 37;

8 (ii) is serving a significant portion of a designated geographic area, special population, or facility
9 population in a federally designated health professional shortage area, a medically underserved area or
10 population, or a federal nursing shortage county as determined by the secretary of health and human services
11 or by the governor;

12 (iii) has had a student loan incurred as a result of health-related education; and

13 (iv) has received a loan payment during the tax year made on the taxpayer's behalf by a loan
14 repayment program described in subsection (13)(b) as an incentive to practice in Montana.

15 (b) For the purposes of subsection (13)(a), a loan repayment program includes a federal, state, or
16 qualified private program. A qualified private loan repayment program includes a licensed health care facility, as
17 defined in 50-5-101, that makes student loan payments on behalf of the person who is employed by the facility
18 as a licensed health care professional.

19 (14) A taxpayer may exclude the amount of loan repayment assistance received during the tax year
20 pursuant to Title 20, chapter 4, part 5, not to exceed \$5,000, from the taxpayer's adjusted gross income.

21 (15) Notwithstanding the provisions of subsection (1), adjusted gross income does not include 40%
22 of capital gains on the sale or exchange of capital assets before December 31, 1986, as capital gains are
23 determined under subchapter P. of Chapter 1 of the Internal Revenue Code as it read on December 31, 1986.

24 (16) A refund received of federal income tax referred to in subsection (1)(b) must be allocated in the
25 following order as applicable:

26 (a) to federal income tax in a prior tax year that was not deducted on the state tax return in that
27 prior tax year;

28 (b) to federal income tax in a prior tax year that was deducted on the state tax return in that prior

1 tax year but did not result in a reduction in state income tax liability in that prior tax year; and

2 (c) to federal income tax in a prior tax year that was deducted on the state tax return in that prior
3 tax year and that reduced the taxpayer's state income tax liability in that prior tax year.

4 (17) By November 1 of each year, the department shall multiply the amount of pension and annuity
5 income contained in subsection (2)(c)(i) and the federal adjusted gross income amounts in subsection (2)(c)(ii)
6 by the inflation factor for the following tax year, rounded to the nearest \$10. The resulting amounts are effective
7 for that following tax year and must be used as the basis for the exemption determined under subsection (2)(c).
8 (Repealed effective January 1, 2024--secs. 65, 70(1), Ch. 503, L. 2021; subsection (2)(f) terminates on
9 occurrence of contingency--sec. 3, Ch. 634, L. 1983; subsection (2)(o) terminates on occurrence of
10 contingency--sec. 9, Ch. 262, L. 2001; subsection (2)(t) terminates June 30, 2027--sec. 10, Ch. 374, L. 2017;
11 subsection (2)(s) terminates December 31, 2029--sec. 20, Ch. 480, L. 2021.)"

12

13 **Section 2.** Section 15-30-2120, MCA, is amended to read:

14 **"15-30-2120. (Effective January 1, 2024) Adjustments to federal taxable income to determine**
15 **Montana taxable income.** (1) The items in subsection (2) are added to and the items in subsection (3) are
16 subtracted from federal taxable income to determine Montana taxable income.

17 (2) The following are added to federal taxable income:

18 (a) to the extent that it is not exempt from taxation by Montana under federal law, interest from
19 obligations of a territory or another state or any political subdivision of a territory or another state and exempt-
20 interest dividends attributable to that interest except to the extent already included in federal taxable income;

21 (b) that portion of a shareholder's income under subchapter S. of Chapter 1 of the Internal
22 Revenue Code that has been reduced by any federal taxes paid by the subchapter S. corporation on the
23 income;

24 (c) depreciation or amortization taken on a title plant as defined in 33-25-105;

25 (d) the recovery during the tax year of an amount deducted in any prior tax year to the extent that
26 the amount recovered reduced the taxpayer's Montana income tax in the year deducted;

27 (e) an item of income, deduction, or expense to the extent that it was used to calculate federal
28 taxable income if the item was also used to calculate a credit against a Montana income tax liability;

1 (f) a deduction for an income distribution from an estate or trust to a beneficiary that was included
2 in the federal taxable income of an estate or trust in accordance with sections 651 and 661 of the Internal
3 Revenue Code, 26 U.S.C. 651 and 661;

4 (g) a withdrawal from a medical care savings account provided for in Title 15, chapter 61, used for
5 a purpose other than an eligible medical expense or long-term care of the employee or account holder or a
6 dependent of the employee or account holder;

7 (h) a withdrawal from a first-time home buyer savings account provided for in Title 15, chapter 63,
8 used for a purpose other than for eligible costs for the purchase of a single-family residence;

9 (i) for a taxpayer that deducts the qualified business income deduction pursuant to section 199A
10 of the Internal Revenue Code, 26 U.S.C. 199A, an amount equal to the qualified business income deduction
11 claimed; and

12 (j) for a taxpayer that deducts state income taxes pursuant to section 164(a)(3) of the Internal
13 Revenue Code, 26 U.S.C. 164(a)(3), an additional amount equal to the state income tax deduction claimed, not
14 to exceed the amount required to reduce the federal itemized amount computed under section 161 of the
15 Internal Revenue Code, 26 U.S.C. 161, to the amount of the federal standard deduction allowable under
16 section 63(c) of the Internal Revenue Code, 26 U.S.C. 63(c).

17 (3) To the extent they are included as income or gain or not already excluded as a deduction or
18 expense in determining federal taxable income, the following are subtracted from federal taxable income:

19 (a) a deduction for an income distribution from an estate or trust to a beneficiary in accordance with
20 sections 651 and 661 of the Internal Revenue Code, 26 U.S.C. 651 and 661, recalculated according to the
21 additions and subtractions in subsections (2) and (3)(b) through (3)(m);

22 (b) if exempt from taxation by Montana under federal law:

23 (i) interest from obligations of the United States government and exempt-interest dividends
24 attributable to that interest; and

25 (ii) railroad retirement benefits;

26 (c) (i) salary received from the armed forces by residents of Montana who are serving on active
27 duty in the regular armed forces and who entered into active duty from Montana;

28 (ii) the salary received by residents of Montana for active duty in the national guard. For the

1 purposes of this subsection (3)(c)(ii), "active duty" means duty performed under an order issued to a national
2 guard member pursuant to:

3 (A) Title 10, U.S.C.; or

4 (B) Title 32, U.S.C., for a homeland defense activity, as defined in 32 U.S.C. 901, or a contingency
5 operation, as defined in 10 U.S.C. 101, and the person was a member of a unit engaged in a homeland
6 defense activity or contingency operation.

7 (iii) the amount received pursuant to 10-1-1114 or from the federal government by a service
8 member, as defined in 10-1-1112, as reimbursement for group life insurance premiums paid;

9 (iv) the amount received by a beneficiary pursuant to 10-1-1201; and

10 (v) all payments made under the World War I bonus law, the Korean bonus law, and the veterans'
11 bonus law. Any income tax that has been or may be paid on income received from the World War I bonus law,
12 Korean bonus law, and the veterans' bonus law is considered an overpayment and must be refunded upon the
13 filing of an amended return and a verified claim for refund on forms prescribed by the department in the same
14 manner as other income tax refund claims are paid.

15 (d) interest and other income related to contributions that were made prior to January 1, 2024, that
16 are retained in a medical care savings account provided for in Title 15, chapter 61, and any withdrawal for
17 payment of eligible medical expenses or for the long-term care of the employee or account holder or a
18 dependent of the employee or account holder;

19 (e) contributions or earnings withdrawn from a family education savings account provided for in
20 Title 15, chapter 62, or from a qualified tuition program established and maintained by another state as
21 provided in section 529(b)(1)(A)(ii) of the Internal Revenue Code, 26 U.S.C. 529(b)(1)(A)(ii), for qualified
22 education expenses, as defined in 15-62-103, of a designated beneficiary;

23 (f) interest and other income related to contributions that were made prior to January 1, 2024, that
24 are retained in a first-time home buyer savings account provided for in Title 15, chapter 63, and any withdrawal
25 for payment of eligible costs for the first-time purchase of a single-family residence;

26 (g) for each taxpayer that has attained the age of 65, an additional subtraction of \$5,500;

27 (h) the amount of a scholarship to an eligible student by a student scholarship organization
28 pursuant to 15-30-3104;

1 (i) a payment received by a private landowner for providing public access to public land pursuant
2 to Title 76, chapter 17, part 1;

3 (j) the amount of any refund or credit for overpayment of income taxes imposed by this state or
4 any other taxing jurisdiction to the extent included in gross income for federal income tax purposes but not
5 previously allowed as a deduction for Montana income tax purposes;

6 (k) the recovery during the tax year of any amount deducted in any prior tax year to the extent that
7 the recovered amount did not reduce the taxpayer's Montana income tax in the year deducted;

8 (l) an amount equal to 30% of net-long term capital gains, as defined in section 1222 of the
9 Internal Revenue Code, 26 U.S.C. 1222, if and to the extent such gain is taken into account in computing
10 federal taxable income; ~~and~~

11 (m) the amount of the gain recognized from the sale or exchange of a mobile home park as
12 provided in 15-31-163; and

13 (n) student loan debt cancellation provided by the U.S. department of education.

14 (4) (a) A taxpayer who, in determining federal taxable income, has reduced the taxpayer's
15 business deductions:

16 (i) by an amount for wages and salaries for which a federal tax credit was elected under sections
17 38 and 51(a) of the Internal Revenue Code, 26 U.S.C. 38 and 51(a), is allowed to deduct the amount of the
18 wages and salaries paid regardless of the credit taken; or

19 (ii) for which a federal tax credit was elected under the Internal Revenue Code is allowed to
20 deduct the amount of the business expense paid when there is no corresponding state income tax credit or
21 deduction, regardless of the credit taken.

22 (b) The deductions in subsection (4)(a) must be made in the year that the wages, salaries, or
23 business expenses were used to compute the credit. In the case of a partnership or small business corporation,
24 the deductions in subsection (4)(a) must be made to determine the amount of income or loss of the partnership
25 or small business corporation.

26 (5) (a) An individual who contributes to one or more accounts established under the Montana
27 family education savings program or to a qualified tuition program established and maintained by another state
28 as provided in section 529(b)(1)(A)(ii) of the Internal Revenue Code, 26 U.S.C. 529(b)(1)(A)(ii), may reduce

1 taxable income by the lesser of \$3,000 or the amount of the contribution. In the case of married taxpayers, each
2 spouse is entitled to a reduction, not in excess of \$3,000, for the spouses' contributions to the accounts.
3 Spouses may jointly elect to treat half of the total contributions made by the spouses as being made by each
4 spouse. The reduction in taxable income under this subsection (5)(a) applies only with respect to contributions
5 to an account of which the account owner is the taxpayer, the taxpayer's spouse, or the taxpayer's child or
6 stepchild if the taxpayer's child or stepchild is a Montana resident. The provisions of subsection (2)(d) do not
7 apply with respect to withdrawals of contributions that reduced federal taxable income.

8 (b) Contributions made pursuant to this subsection (5) are subject to the recapture tax provided for
9 in 15-62-208.

10 (6) (a) An individual who contributes to one or more accounts established under the Montana
11 achieving a better life experience program or to a qualified program established and maintained by another
12 state may reduce taxable income by the lesser of \$3,000 or the amount of the contribution. In the case of
13 married taxpayers, each spouse is entitled to a reduction, not to exceed \$3,000, for the spouses' contributions
14 to the accounts. Spouses may jointly elect to treat one-half of the total contributions made by the spouses as
15 being made by each spouse. The reduction in taxable income under this subsection (6)(a) applies only with
16 respect to contributions to an account for which the account owner is the taxpayer, the taxpayer's spouse, or
17 the taxpayer's child or stepchild if the taxpayer's child or stepchild is a Montana resident. The provisions of
18 subsection (2)(d) do not apply with respect to withdrawals of contributions that reduced taxable income.

19 (b) Contributions made pursuant to this subsection (6) are subject to the recapture tax provided in
20 53-25-118.

21 (7) By November 1 of each year, the department shall multiply the subtraction from federal taxable
22 income for a taxpayer that has attained the age of 65 contained in subsection (3)(g) by the inflation factor for
23 that tax year, rounding the result to the nearest \$10. The resulting amount is effective for that tax year and must
24 be used as the basis for the subtraction from federal taxable income determined under subsection (3)(g)."

25

26 NEW SECTION. Section 3. Effective date. [This act] is effective on passage and approval.

27

28 NEW SECTION. Section 4. Retroactive applicability. [This act] applies retroactively, within the

1 meaning of 1-2-109, to income tax years beginning after December 31, 2022.

2 - END -